

SHELL CHEMICAL CORPORATION

DATE FEBRUARY 1, 1955
TO HEAD OFFICE - MR. G. E. BREWER FROM MANAGER - TORRANCE PLANT
SUBJECT ANALYSIS OF ASSETS -
RUBBER FACILITIES

At your request, we have visited the Dow and Midland facilities and checked the fixed asset accounts.

The Copolymer Plant has no off-site easements, rights-of-way, etc., nor do they have any off-site facilities on their records.

Dow has the following facilities and easements located off-site:

1. A four-inch benzene line which crosses Vermont Avenue and continues through the Butadiene Plant and connects with Shell Oil Company, Dominguez Refinery. There is an easement for this line from Del Amo Estates which is common to the six lines on our books. Street crossings by all pipelines were made with permits at the time of construction and are not covered by easements. The permit records at Dow are incomplete, and only a portion of the permits covering these street crossings are available.

2. There is a benzol storage tank located on the property of Petroleum Navigation Company in Seattle. This tank is on the Dow books at an original installed cost of \$66,000.00. This sum was included in the total original cost of the Styrene facilities as quoted in the brochure. A copy of the agreement covering this facility is transmitted with this letter.

In a telephone conversation with R. L. Kittle, we were informed that Shell has no interest in acquiring this facility. Since the agreement indicates some doubt as to whether Federal Facilities Corporation has the right to sell us the tank or assign its interest in the leased land, we feel that the Commission should be requested to take action to remove the full capitalized value from the Dow books.

One alternative would be for us to request that Dow be instructed to transmit to FFC a Form 51, declaring the tank as surplus (reserved property). By this method we will receive a proportionate credit for the original cost to the extent that we will receive credit for all retirements subsequent to August 31, 1954.

3. A set of mechanical crossing signal lights located at the Normandie Avenue Pacific Electric Railway crossing and another set at the Vermont Avenue crossing are on the Dow books.

TORRANCE
SP-0013354

C O P Y

Head Office
Mr. G. E. Brewer

-2-

February 1, 1955

4. An easement granted by the Pacific Electric Railway Company covers the spur track leading from Pacific Electric Railway property onto PFC (Dow) property.

5. A License Agreement (common to both Dow and Shell pipelines) from the Department of Water and Power granting permission to construct, maintain, and operate pipelines crossing Department property to Shell Oil Company, Dominguez Refinery. This license covers both on-site and off-site lines.

6. There is in process of negotiation, an off-site easement from Union Oil Company crossing their easement with a benzene line and a fuel oil line.

7. In addition to the foregoing, the following information was disclosed, which may or may not be significant:

1. Sales Contract/Lease Contract with Easton Chemical Company.

- a. Furnish 1,000 pounds per day ethylene if and when available at 20 cents per pound.
- b. Cancellation notice - 60 days.
- c. Lease to Easton, portion of Lots 34, 35, 38 and 39 at \$50 per month.
- d. PFC sells electric power at computed plant cost.
- e. Rubbish pickup at \$5 per month.
- f. Automatically terminates with expiration of Sales Agreement and may be terminated upon 30 days' written notice of either party.

2. There is in existence a sidetrack agreement between Pacific Electric Railway Company and Federal Facilities Corporation covering sidetrack facilities. This agreement not assignable without permission of Pacific Electric Railway Company.

In connection with the Butadiene facilities, we have in our possession Permit No. 43033 issued by Los Angeles County Flood Control District, granting permission to construct a suspension bridge across Dominguez channel for the purpose of supporting pipelines to the Dominguez Refinery.

There is also in effect a right-of-way agreement with Shell Oil Company granting permission for our pipelines to cross their five-foot easement on the route of our lines to the Dominguez Refinery.

TORRANCE
SF-0013355

Head Office -
Mr. G. E. Brewer

-3-

February 1, 1955

The following significant items are not specifically mentioned in the deed:

1. Capitalized tools.
2. Chemicals continuing in the system.
3. Rotating spares.
4. Pipelines, on-site and off-site.

These categories represent a substantial sum. Items 2 and 3 are specifically referred to as being part of plant and equipment and covered by the lump sum portion of the purchase price in Synthetic Rubber Accounting Bulletin No. 23, signed by the Controller of Federal Facilities Corporation.

In stores stocks at the Butadiene Plant, we have a group of rotating spares which should have been capitalized at the time of construction. We are not familiar with the circumstances as to why the items were not capitalized along with other rotating spares at the outset. However, there was a tax advantage to the government by leaving them in stores where they remained identified as personal property.

The items in this group had an original cost of \$73,600.00, and are still carried in the stores inventory at this sum. They consist primarily of tube bundles, compressor cylinders, limitorque valves and superheater elements.

If these items are to remain in stores, we should, in our opinion, ask that they be depreciated to the same extent their installed alternates are depreciated. Alternatively, they should be capitalized and depreciated, or better still, they should be excluded from inventory and should pass to us along with capitalized rotating spares in group B-1 of the Deed.

We will be happy to supplement or further clarify the foregoing information at your suggestion.

/s/ M. Voogd

M. Voogd

Attachment

TORRANCE
SF-0013356

W.E. R/H

COPY OF A COPY

A G R E E M E N T

SEATTLE GAS COMPANY RuR 524

(Benzol Pipe Line)

Agreement date March 1, 1954 covers grants of R/W and Easements on pipe lines supplying Benzol to Reconstruction Finance Corporation tank located on Petroleum Navigation Company property. R.F.C. paid for the facilities and the Agreement provides on the expiration of Agreement date February 1, 1951, R.F.C. has the right to remove pipe lines and other facilities installed by them within 90 days and if not so removed in 90 days these facilities shall be considered abandoned and title shall vest in the Gas Company. No payment was required for these R/Ws and Easements.

The Amendatory Agreement date, February 1, 1951 (Sale of Benzol) provides for a regular 130 day written notice of cancellation and further provides that it may be cancelled by R.F.C. upon 90 days' written notice in the event the statutory authority of R.F.C. (or such other government agency as the President may designate) to conduct the Synthetic Rubber Program terminates, or R.F.C.'s styrene plant at Los Angeles, California is sold.

There is also an Agreement between R.F.C. and the Northern Pacific Railroad Company #73733 at Seattle, covering R/W under crossing for our 3" pipe line. The terms are \$1.00 and the permit shall endure until terminated by the Northern Pacific Railroad Company on 60 days' written notice.

There is also a Lease between R.F.C. and Petroleum covering the lease of a certain parcel of land together with the right to use the Petroleum Docks covering the shipping of Benzol from R.F.C. Storage Tank.

The conditions of this Lease are as follows:

- 1)- Right to enter
- 2)- Right to construct tank and other facilities for the storage of Benzol, Petroleum Products or Alcohol
- 3)- Petroleum has an option to purchase the facilities for a period of 30 days at a price equal to the installation cost less 10% per year depreciation; however such option price shall not be less than 30% of the installed price of all the facilities put in by R.F.C.
- 4)- If lessor does not wish to purchase facilities of R.F.C., then all must be returned in 120 days after cancellation date of the lease, except fire wall around tank may be left and if so becomes the property of the lessor.

TORRANCE
SF-0013357

- 5)- Lessee shall pay to lessor the sum of \$3600 annually in monthly payments of \$300 each, plus 1/3 of the real estate tax imposed on the lessor. All such taxes shall be prorated as of the commencement and termination dates of this Lease
- 6)- 90 day cancellation clause by Lessee
- 7)- Should the Lessee fail to conform, or default in any of the terms of the lease, then the Lessor may demand conformance and if Lessee still does not conform in 60 days then the lease is cancelled and terminated.
- 8)- Lessee may not assign rights under the Lease, except to another government agency or instrumentality for other than commercial use without consent of the Lessor.
- 9)- Lessor agrees to defend the title to the lands and agrees Lessee to redeem for Lessor by payment of taxes or other lien or mortgage defaulted by Lessor in which event Lessee shall be subrogated to the rights of the holder thereto.

A G R E E M E N T between Dow as Agent for Reconstruction Finance Corporation and Seattle American District Telegraph Company

This covers Agreement by S.A.D.T. & Co. to install and maintain at the Benzol Storage tank located on Petroleum Navigation Company property, an automatic Fire Alarm System-- cost of installation \$858.00- and an annual payment of \$340; this also includes fire alarm system under walkway.

Agreement may be cancelled by subscriber (R.F.C.) at any time after 1 year, upon 30 days' notice.

Agreement is not assignable by the subscribed (R.F.C.) except upon the written consent of the contractor (S.A.D.T. & Co.)

* * *

cc:

K. W. Smith - Shell Chemical